

Adopted	Rejected
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COMMITTEE REPORT

YES:	10
NO:	0

MR. SPEAKER:

*Your Committee on Employment and Labor, to which was referred Senate Bill 149, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1 Page 1, between the enacting clause and line 1, begin a new
- 2 paragraph and insert:
- 3 "SECTION 1. IC 5-10.2-2-3 IS AMENDED TO READ AS
- 4 FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 3. (a) The annuity
- 5 savings account consists of:
- 6 (1) the members' contributions; and
- 7 (2) the interest credits on these contributions in the guaranteed
- 8 fund or the gain or loss in market value on these contributions in
- 9 the alternative investment program, as specified in section 4 of
- 10 this chapter.
- 11 Each member shall be credited individually with the amount of the
- 12 member's contributions and interest credits.
- 13 (b) Each board shall maintain the annuity savings account program
- 14 in effect on December 31, 1995 (referred to in this chapter as the
- 15 guaranteed program). In addition, the board of the Indiana state
- 16 teachers' retirement fund shall establish and maintain a guaranteed

1 program within the 1996 account. Each board may establish investment
 2 guidelines and limits on all types of investments (including, but not
 3 limited to, stocks and bonds) and take other actions necessary to fulfill
 4 its duty as a fiduciary of the annuity savings account, subject to the
 5 limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

6 (c) Each board shall establish alternative investment programs
 7 within the annuity savings account of the public employees' retirement
 8 fund, the pre-1996 account, and the 1996 account, based on the
 9 following requirements:

10 (1) Each board shall maintain at least one (1) alternative
 11 investment program that is an indexed stock fund and one (1)
 12 alternative investment program that is a bond fund.

13 (2) The programs should represent a variety of investment
 14 objectives under IC 5-10.3-5-3.

15 (3) No program may permit a member to withdraw money from
 16 the member's account except as provided in IC 5-10.2-3 and
 17 IC 5-10.2-4.

18 (4) All administrative costs of each alternative program shall be
 19 paid from the earnings on that program **or as may be determined**
 20 **by the rules of each board.**

21 (5) A valuation of each member's account must be completed as
 22 of:

23 (A) the last day of each quarter; **or**

24 (B) **another time as each board may specify by rule.**

25 (d) The board must prepare, at least annually, an analysis of the
 26 guaranteed program and each alternative investment program. This
 27 analysis must:

28 (1) include a description of the procedure for selecting an
 29 alternative investment program;

30 (2) be understandable by the majority of members; and

31 (3) include a description of prior investment performance.

32 (e) A member may direct the allocation of the amount credited to the
 33 member among the guaranteed fund and any available alternative
 34 investment funds, subject to the following conditions:

35 (1) A member may make a selection or change an existing
 36 selection under rules established by each board. A board shall
 37 allow a member to make a selection or change any existing
 38 selection at least once each quarter.

- 1 (2) The board shall implement the member's selection beginning
 2 the first day of the next calendar quarter that begins at least thirty
 3 (30) days after the selection is received by the board **or an**
 4 **alternate date established by the rules of each board.** This date
 5 is the effective date of the member's selection.
- 6 (3) A member may select any combination of the guaranteed fund
 7 or any available alternative investment funds, in ten percent (10%)
 8 increments **or smaller increments that may be established by**
 9 **the rules of each board.**
- 10 (4) A member's selection remains in effect until a new selection
 11 is made.
- 12 (5) On the effective date of a member's selection, the board shall
 13 reallocate the member's existing balance or balances in accordance
 14 with the member's direction, based on:
- 15 (A) for an alternative investment program balance, the market
 16 value on the effective date; and
- 17 (B) for any guaranteed program balance, the account balance
 18 on the effective date.
- 19 All contributions to the member's account shall be allocated as of
 20 the last day of that quarter **or at an alternate time established by**
 21 **the rules of each board** in accordance with the member's most
 22 recent effective direction. The board shall not reallocate the
 23 member's account at any other time.
- 24 (f) When a member who participates in an alternative investment
 25 program transfers the amount credited to the member from one (1)
 26 alternative investment program to another alternative investment
 27 program or to the guaranteed program, the amount credited to the
 28 member shall be valued at the market value of the member's investment,
 29 as of the day before the effective date of the member's selection **or at**
 30 **an alternate time established by the rules of each board.** When a
 31 member who participates in an alternative investment program retires,
 32 becomes disabled, dies, or suspends membership and withdraws from
 33 the fund, the amount credited to the member shall be the market value
 34 of the member's investment as of the last day of the quarter preceding
 35 the member's distribution or annuitization at retirement, disability,
 36 death, or suspension and withdrawal, plus contributions received after
 37 that date **or at an alternate time established by the rules of each**
 38 **board.**

(g) When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the effective date of the transfer. **However, each board may by rule provide for an alternate valuation date.** When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date. **However, each board may by rule provide for an alternate valuation date.**

SECTION 2. IC 5-10.2-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 2. (a) Unless a member elects otherwise under this section, the retirement benefit for each member consists of the sum of a pension provided by employer contributions plus an annuity provided by the amount credited to the member in the annuity savings account.

(b) A member may choose at retirement or upon a disability retirement to receive a distribution of:

- (1) the entire amount credited to the member in the annuity savings account; or
- (2) an amount equal to the member's federal income tax basis in the member's annuity savings account balance as it existed on December 31, 1986.

If the member chooses to receive the distribution under subdivision (1), the member is not entitled to an annuity as part of the retirement or disability benefit. If the member chooses to receive the distribution under subdivision (2), the member is entitled to an annuity purchasable by the amount remaining in the member's annuity savings account after the payment under subdivision (2).

(c) Instead of choosing to receive the benefits described in subsection (a) or (b), a member may choose upon retirement or upon

disability retirement to begin receiving a pension provided by employer contributions and to defer receiving in any form the member's annuity savings account. If a member chooses this option, the member:

(1) is not entitled to an annuity as part of the member's retirement or disability benefit, and the member's annuity savings account will continue to be invested according to the member's direction under IC 5-10.2-2-3; and

(2) may later choose, as of the first day of a month, **or an alternate date established by the rules of each board**, to receive a distribution of:

(A) the entire amount credited to the member in the annuity savings account; or

(B) an amount equal to the member's federal income tax basis in the member's annuity savings account balance as it existed on December 31, 1986.

If the member chooses to receive the distribution under subdivision (2)(A), the member is not entitled to an annuity as part of the member's retirement or disability benefit. If the member chooses to receive the distribution under subdivision (2)(B), the member is entitled to an annuity purchasable by the amount remaining in the member's annuity savings account after the payment under subdivision (2)(B). If the member does not choose to receive a distribution under this subsection, the member is entitled to an annuity purchasable by the entire amount in the member's annuity savings account, and the form of the annuity shall be as described in subsection (d) unless the member elects an option described in section 7(b)(1), 7(b)(2), or 7(b)(4) of this chapter. The amount to be paid under this section shall be determined in the manner described in IC 5-10.2-2-3, except that it shall be determined as of the last day of the quarter preceding the member's actual distribution or annuitization date. **However, each board may by rule provide for an alternate valuation date.**

(d) Retirement benefits must be distributed in a manner that complies with Section 401(a)(9) of the Internal Revenue Code, as specified in IC 5-10.2-2-1.5."

Page 1, line 10, after "be" insert ":".

Page 1, line 11, reset in roman "(A) a member of a collective bargaining unit of state".

Page 1, line 11, after "member of" insert ":

- 1 **(i) the fund; or**
- 2 **(ii)".**
- 3 Page 1, line 12, reset in roman "employees represented by a labor
- 4 organization; or".
- 5 Page 1, line 13, reset in roman "(B)".
- 6 Page 1, line 13, after "(B) an" insert **"individual who is:**
- 7 **(i) an".**
- 8 Page 1, line 13, after "officer" insert **"or a member".**
- 9 Page 1, line 14, strike "employees." and insert **"or university**
- 10 **employees; and**
- 11 **(ii) an Indiana resident."**
- 12 Page 1, line 16, after "board." insert **"An individual appointed**
- 13 **under this subsection to serve as the director's designee:**
- 14 **(1) is subject to the provisions of section 3 of this chapter; and**
- 15 **(2) serves as a permanent designee until replaced by the**
- 16 **director."**
- 17 Page 2, line 7, delete "both of the".
- 18 Page 2, delete line 8.
- 19 Page 2, line 9, delete "(1)".
- 20 Page 2, line 9, delete "Compensation" and insert **"compensation".**
- 21 Page 2, line 9, strike "of four hundred fifty dollars (\$450) on
- 22 October".
- 23 Page 2, line 10, strike "1, January 1, April 1, and June 30".
- 24 Page 2, line 12, delete "(2) Reimbursement" and insert
- 25 **"reimbursement".**
- 26 Page 2, run in lines 7 through 12.
- 27 Page 2, line 41, after "board." insert **"An individual appointed**

1 **under this subsection to serve as the director's designee serves as**
2 **a permanent designee until replaced by the director."**

3 Renumber all SECTIONS consecutively.
 (Reference is to SB 149 as reprinted January 25, 2005.)

and when so amended that said bill do pass.

Representative Torr